

Message Text

SECRET

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EXDIS

E.O. 11652: GDS
TAGS: EAID JA EG
SUBJECT: JAPANESE EMERGENCY ASSISTANCE FOR EGYPT

REF: CAIRO 9714 TOKYO 14108 STATE 233805

1. CAIRO PRESS REPORTS THAT EVENING OCTOBER 2 MINECON-COOPERATION SHAFEI AND JAPANESE AMBASSADOR WADA SIGNED EXCHANGE OF NOTES COVERING A COMMODITY IMPORT LOAN IN AMOUNT OF 15 BILLION YEN OR APPROXIMATELY \$50 MILLION. TERMS, ACCORDING TO PRESS, ARE 3 1/2 PERCENT ANNUAL INTEREST RATE, REPAYMENT OVER 25 YEARS WITH GRACE PERIOD OF SEVEN YEARS. PURCHASES UNDER THE LOAN ARE TO BE MADE WITHIN PERIOD OF TWO YEARS FROM TIME AGREEMENT GOES INTO EFFECT. LATTER WILL DEPEND UPON COMPLETION EGYPTIAN RATIFICATION POROCEDURES.

2. THIS IS THE \$50 MILLION JAPANESE CIP LOAN ABOUT WHICH THERE HAS BEEN SOME CONFUSION. WHEN I SAW WADA AT RECEPTION LAST NIGHT, HE CONFIRMED THAT AGREEMENT WAS SIGNED AND TERMS. FIFTY MILLION DOLLARS CONSISTS OF \$25 MILLION OLD MONEY AND \$25 MILLION NEW. HE HAD RECEIVED TELEGRAM FROM TOKYO AS RESULT OF MY MESSAGE REPORTING MINFINANCE ABU ISMAIL'S TELEPHONE CALL OF A FEW DAYS AGO REQUESTING CLARIFICATION.

3. WADA THEN RELATED THAT IN HIS TALK WITH ABU ISMAIL,
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LATTER HAD BEEN TOTALLY CONFUSED. DESPITE WADA'S

BEST EFFORTS EXPLAIN SITUATION, ABU ISMAIL HAD REMAINED BEFUDDLED. MINFINANCE KEPT ASKING WHERE IS THE \$50 MILLION CASH THAT JAPANESE ALLEGEDLY PROMISED? (WADA NOTED FAHMY KEEPS DOING THE SAME THING.) WADA REPEATEDLY TRIED EXPLAIN THAT JAPANESE FOREIGN ASSISTANCE IS NOT IN THE FORM OF CASH, BUT PROGRAM AID. SOMEHOW THIS HAD NOT DAWNED ON HIS EGYPTIAN INTERLOCUTORS OR AT LEAST THEY CLAIMED NOT TO HAVE UNDERSTOOD THIS. I ASKED IF SHAFEI UNDERSTOOD SITUATION. WADA SAID HE WAS SURE MINECON COOPERATION UNDERSTANDS AND WAS LEAVING IT TO LATTER TO ENLIGHTEN ABU ISMAIL.

4. JAPANESE AMBASSADOR ASKED ABOUT STATUS POSSIBLE IBRD LED MULTILATERAL DONOR EFFORT. I TOLD HIM I HAD NO FURTHER INFORMATION. WADA THEN MADE STRONG PITCH THAT, IF NO SUCH IBRD LED EFFORT DEVELOPS, USG SHOULD SEEK TO ORGANIZE ONE. ONLY IN THIS WAY, IN HIS VIEW, IS THERE ANY HOPE OF GETTING JAPANESE MINISTRY OF FINANCE RESPOND MORE GENEROUSLY TO EGYPTIAN EMERGENCY RELIEF REQUIREMENT.

5. I TELEPHONED ABU ISMAIL TODAY TO BE SURE HE NOW UNDERSTANDS SITUATION. ABU ISMAIL SAID HE KNEW ABOUT \$50 MILLION JAPANESE NON-PROJECT AID, BUT HE HAD THOUGHT FROM HIS TALKS WITH UNDERSEC ROBINSON THAT CASH WAS COMING. I POINTED OUT UNDERSEC HAD NEVER SAID CASH, BUT SOLELY EMERGENCY AID IN WHATEVER WAY VARIOUS DONOR COUNTRIES ABLE PROVIDE IT. I AGAIN INVITED HIS ATTENTION TO PAPER I HAD RECENTLY GIVEN HIM RECAPITULATING RESULTS OF OUR EFFORTS ON GOE'S BEHALF. THIS HAD CLEARLY STATED JAPANESE ASSISTANCE IS NON-PROJECT AID, DETAILS OF WHICH EGYPTIANS SHOULD NEGOTIATE ASAP. HE HAD OBVIOUSLY NOT REALLY DIGESTED ANY OF OUR EXPLANATIONS OR STUDIED PAPER. HE IS LOOKING FOR HARD CASH.
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